

Talking Points  
“Business of Healthcare”  
Tuesday, October 27, 2009

- Set the fiscal stage - revenue collections still way down

Let's begin by setting the fiscal stage, which greatly affects healthcare because healthcare nationally accounts for about one-fourth of the economy.

Here in Mississippi, we missed our September revenue collections by about \$45 million, or 10 percent below the estimate; year-to-date, we've missed the estimate by \$83.2 million, or 7.8 percent.

Annualizing these figures means that we could face a budget shortfall of \$470 million - or higher - for FY 2010 ... that's the current state fiscal year.

I've already cut \$172 million from the state budget, and further cuts will be inevitable for the current fiscal year.

- Most states in the same boat

Most states are being forced to make tough, and many times unpopular, choices to balance their budgets. Alabama has already made 7.5 percent cuts to its 2010 education budget, and Georgia is considering cutting teacher pay by \$3,000 - \$4,000 to deal with August collections, which were 16.4 percent below August 2008.

States like Colorado, Idaho, and South Carolina are facing budget shortfalls of more than \$150 million for the current fiscal year. New York's budget director has indicated that mid-year agency spending reductions will be necessary to eliminate a \$2.1 billion FY 2010 budget gap. Virginia has cut state agencies by \$403 million along with nearly 600 layoffs and cuts up to 15 percent to institutions of higher learning to help meet a \$1.35 billion budget shortfall for FY

2010. Washington is potentially facing a deficit of \$1 billion, which will require further cuts in spending.

- This is not business as usual.

It's clear to me that governors across the nation simply won't have the option to practice business as usual in state government.

As we grapple with declining revenue streams and rising unemployment, we must look for ways to run government more efficiently, without sacrificing critical services for our citizens.

In my opinion, it's always a good time to right-size government, but the current budget crisis is serving as an impetus for governors, legislators, and agency directors across the nation to re-evaluate government programs based on what's essential, and what's not.

In Mississippi, we cannot pay for the status quo. The numbers simply won't add up.

- Unemployment/Jobs

No state is immune to trends at the national or international levels, and I expect we won't begin to see an uptick in revenues until much, much later. Some economists have publicly stated that the recession is ending. That seems overly optimistic to me; but, even if that is "technically" the case, we must continue to proceed with caution.

The seasonally adjusted unemployment rate in Mississippi fell to 9.2% in September, a decrease of 0.5% from August's rate of 9.7%.

But, historically, we know unemployment continues to rise well after a recession has "ended"

Mississippi has fared better than a lot of other states, in large part because of our work to make sure Mississippi was open for business by keeping taxes low, offering competitive incentives, and passing comprehensive tort reform.

During my first term, Mississippi gained 56,000 new jobs. Despite this recession, we did not see an actual net loss of jobs until August 2009, when employment fell slightly below the level it was when I became Governor. That's why I can't stress enough the importance of making smart choices and not raising taxes, even when the economy shows healthier growth

- National healthcare reform is a moving target

Just yesterday, Senate Majority Leader Harry Reid unveiled another healthcare reform proposal, reportedly moving forward with it despite objections from the White House.

There's a lot we don't know about it yet, but the bottom line seems to be his bill has a public option with an "opt-out" provision. He has also raised the ceiling for taxing "Cadillac" plans in a concession to the unions.

He said he has sent the bill to the Congressional Budget Office for a cost estimate.

Senate Republican Leader Mitch McConnell said the core of the Reid proposal is a bill that the American public clearly does not like, and doesn't support.

He stressed the importance of getting it right on health care reform:

“While final details of this bill are still unknown, here’s what we do know: It will be a thousand-page, trillion-dollar bill that raises premiums, raises taxes and slashes Medicare for our seniors to create new government spending programs. That’s not reform. So, wholly aside from the debate over whether the government gets into the insurance business, the core of the proposal is a bill that the American public clearly does not like, and doesn’t support.”

So, again, we have a thousand-page bill to plow through.

- All Governors are for healthcare reform

Let me tell you – all Governors are for health care reform, and both political parties have come forward with proposals, although they are at opposite ends of the spectrum.

The Democrats have turned this debate into “if you aren’t for our plan- which includes expanding a broken Medicaid program- then you aren’t for health care reform.” That’s not the case.

Many versions of healthcare reform bills are still floating around the U.S. Capitol.

- In my opinion, healthcare reform must be fair to all.

### No unfunded mandates

Any unfunded mandate has significant consequences for states: increased taxes or less money for education, public safety and other essential services of state government.

No funny math on provider rates

A clear understanding of what these bills are going to do to the premiums of millions of Americans who have coverage.

After an analysis of the Senate Finance bill, the word in Washington was:

If You Have Insurance, You Get Taxed

\$201 BILLION FROM EXCISE TAX ON SOME UNION AND OTHER GENEROUS HEALTH PLANS

If You Don't Have Insurance, You Get Taxed

\$4 BILLION FROM A NEW FINE ON THE UNINSURED

If You're An Employer Who Can't Afford To Provide Health Insurance To Your Employees, You Get Taxed

\$23 BILLION FROM EMPLOYERS

If You Use Medical Devices Like Hearing Aids Or Artificial Hearts, You Get Taxed

\$38 BILLION IN NEW TAXES ON MEDICAL DEVICE MANUFACTURERS.

If You Take Prescription Drugs, You Get Taxed

\$22 BILLION IN NEW TAXES ON MEDICINES

- We need tort reform as a vital piece of healthcare reform

Current health care reform proposals omit any mention of tort reform. Litigation and the resulting practice of defensive medicine add tens of billions to the cost of health care.

On the heels of comprehensive tort reform we passed in Mississippi in 2004, medical liability insurance costs are

down 42 percent and doctors have received an average rebate of 20 percent of their annual paid premium.

On October 9<sup>th</sup>, CBO released a letter updating its analysis of the effects of proposals to limit costs related to medical malpractice (“tort reform”). Typical legislative proposals for tort reform have included caps on awards for noneconomic and punitive damages, rules allowing the introduction at trials of evidence about insurance payments and related sources of income, statutes of limitations on suits, and replacement of joint-and-several liability with a fair-share rule.

Tort reform could affect costs for health care both directly and indirectly: directly, by lowering premiums for medical liability insurance; and indirectly, by reducing the use of diagnostic tests and other health care services when providers recommend those services principally to reduce their potential exposure to lawsuits.

Recent research has provided additional evidence to suggest that lowering the cost of medical malpractice tends to reduce the use of health care services.

CBO now estimates that implementing a typical package of tort reform proposals nationwide would reduce total U.S. health care spending by about 0.5 percent (about \$11 billion in 2009). That figure is the sum of a direct reduction in spending of 0.2 percent from lower medical liability premiums and an additional indirect reduction of 0.3 percent from slightly less utilization of health care services.

- Need to proceed cautiously, as the business of healthcare is your business, too.